

CONFIDENTIAL

YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:

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☉ BERRY BORER AND SMALL BEANS CONCERN COFFEE MARKET

The fall in productivity due to high percentage of small size beans in the current crop coupled with the growing coffee berry borer infestation are increasing market and growers's concerns. Smaller beans require more coffee to fill a 60kg bag and bring total Brazilian production down. In addition, the coffee borer infestation keeps rising in some regions. The percentage of beans infected with this pest tripled in 10 years, from 2% in 2007 to 6% this year in some areas covered by Cooxupé. Besides affecting coffee quality, the pest can cause production decreases of up to 13% and reduce bean weight by 21% with losses of over 110,000 bags in the same areas.

Sources: Valor Econômico and CaféPoint

☉ PIONEER PROJECT TO MAP MINAS GERAIS COFFEES

The government of the state of Minas Gerais will launch the Coffee Geoportal, a tool that aims at mapping all areas cultivated with coffee in the state, with socioeconomic and geospatial data inserted to orient public policies and private investments of the entire production chain. The mapping, that will bring complete information on 451 municipalities listed as coffee producers, is expected to be concluded by March 2018. The mapping platform was developed by the Technical Assistance and Rural Extension Institute of Minas Gerais (Emater-MG), the Agricultural and Livestock Research Institute of Minas Gerais (Epamig) and the Minas Gerais Secretariat of Agricultural, Livestock and Food Supply in partnership with the Minas Gerais Economic Development Company (Codemig) and the João Pinheiro Foundation (FJP).



Source: Agência Minas Gerais

☉ LOWEST EXPORTS IN ESPÍRITO SANTO IN THREE DECADES

Coffee exports by Espírito Santo state will have a negative performance in 2017 again. Forecasts indicate only 1.8 million bags of exports of Arabica and Robusta, the lowest figure in 30 years, to be compared with 6.4 million bags exported in 2015 and 2.3 million in 2016.

Source: G1 ES (TV Gazeta)

☉ EMBRAPA DEVELOPS VARIETY RESISTANT TO ADVERSE CLIMATE

Researchers at Embrapa Cerrados are developing a coffee variety resistant to the region's dry and warm conditions. The conilon tropical, adapted to small temperature and altitude variations, has been showing great performance in adverse conditions due to genetic improvement carried out by the institution. Greater variability is currently sought in order to select materials that best adapt to the irrigated and mechanized conditions of the Cerrado region where the new variety is known to produce more than 6 ton per hectare.

Source: CaféPoint

☉ RETAIL COFFEE PRICES INCREASE 13.5%

Coffee prices for consumers at supermarkets rose 13.5% while inflation was only 1.4% in the period between January and July 2017. According to the Brazilian Coffee Roasters' Association (ABIC), the price increase of ground coffee was due to the strong drought that hit Espírito Santo, the main grower of Conilon coffee that accounts for a substantial share of many coffee blends drunk in Brazil.

Source: CaféPoint

ABIC TO LAUNCH APP THAT INFORMS CONSUMERS ABOUT CERTIFIED COFFEES



An innovative tool will be launched by the Brazilian Coffee Roasters' Association (ABIC) this month: a free mobile app that allows any consumer to check in real time if coffees available at retail outlets have ABIC's Purity and/or Quality Seals, as well as to check its category: Traditional, Superior or Gourmet. Consumers can also evaluate the coffee in a scale of up to 5 stars and to send comments and opinions about the product. Such data will be compiled and reported to ABIC member companies.

Source: Revista do Café (ABIC)

COOXUPÉ DOUBLES ROASTED COFFEE PRODUCTION IN TWO YEARS

Torrefação Cooxupé, the roasting segment of the largest coffee coop in Brazil, doubled production in its new plant opened two years ago and reached 1 million kilos per month in three shifts. The expansion of shifts created more job opportunities; the plant has now 151 direct employees, compared to 108 at the beginning. Although Cooxupé activities have a greater focus on green coffee exports, its participation in the domestic R&G coffee market has been expanding.

Source: Notícias Agrícolas

NEW COFFEE PREPARATION TECHNOLOGY

The 100%-Brazilian-technology portable coffee maker Pressca allows preparation and consumption of quality coffee in a quick way. It has a unique method of pressure extraction that eliminates the need for paper filters, brings out all properties of coffee and enables consumers to perceive new flavors and aromas. Pressca can be used in a personal, domestic, or even professional way.



Source: Revista do Café (ABIC)

COMMEMORATIVE PACKAGES ATTRACT CONSUMERS AND ADD VALUE TO PRODUCT



Different packaging and special commemorative editions attract consumers. They are considered by many as collection items by incorporating the history of the company or the country itself. Sophisticated packages collaborate in the construction of the brand concept and add value to the product. Bearing this in mind, 3 Corações Group is working with special packages for two brands: Colombo and Iguazu. The traditional Colombo Pastry Shop, located in Rio de Janeiro, is completing 123 years of activities and 3 Corações has developed an exclusive blend for filter or espresso available in cans similar to those used in the last century. In order to celebrate Café Iguazu's 50th anniversary, 3 Corações, that acquired the brand in March 2016, launched a limited and historic edition. The two collectible cans have unique illustrations and design: one tells the story of the arrival of coffee in Brazil and the other the company's history.

Source: Revista do Café (ABIC)

Brazilian Prices

Main Producing Regions / Farm Gate

August 31, 2017

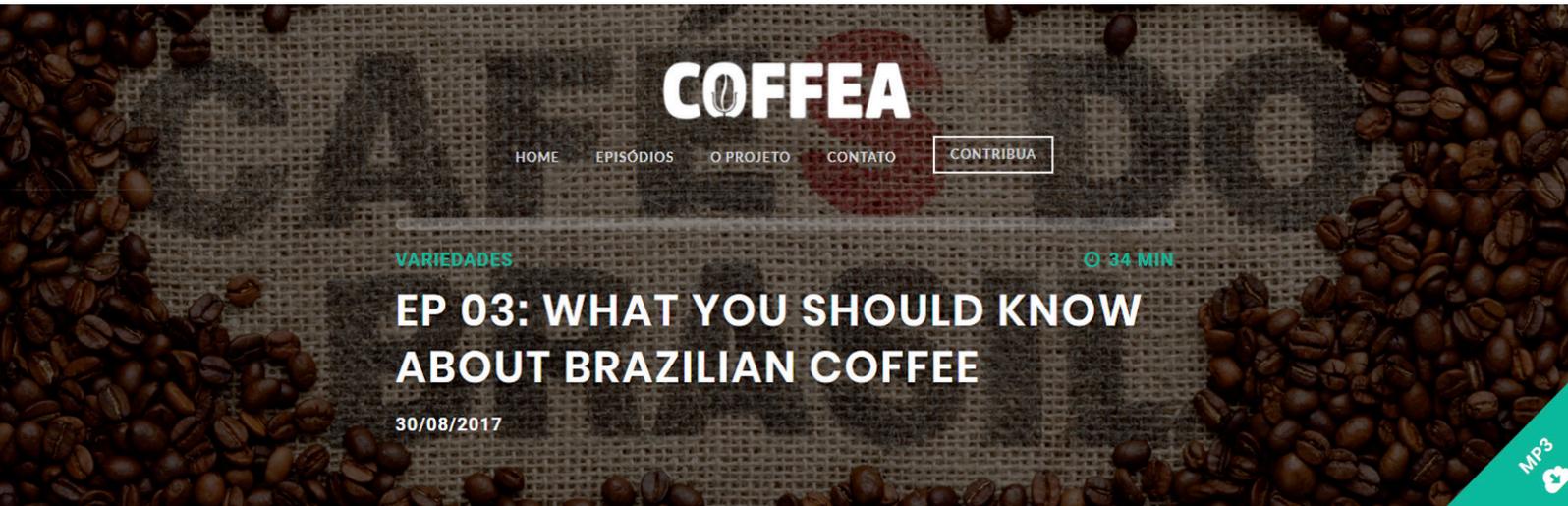
Arabica Naturals (R\$/60 kg bag)		Conilon / Robusta (R\$/60 kg bag)	
Cerrado MG	455,00 ↓	Colatina-ES fair average price	412,00 ↑
Mogiana	450,00 ↓		
South Minas	450,00 ↓		
Arabica Pulped Naturals (R\$/60 kg bag)		[B] ³ ex-BM&F (US\$/60kg Arabica)	
Cerrado MG	485,00 ↓	Sept 2017	152,30 ↓
South Minas	480,00 ↓	Dez 2017	157,05 ↓
		Sept 2018	163,70 ↓
		Real R\$ / Dolar US\$	
		Aug 31, 2017	3,14 ↓

+ 7.8%

Source:

www.qualicafex.com.br

WHAT YOU SHOULD KNOW ABOUT BRAZILIAN COFFEE



Does Brazil produce washed coffee? True or False?! Can coffee machinery emphasize quality?

These and other common doubts about Brazilian coffee will be answered in this podcast with our guest Carlos Brando, the P&A International Marketing business partner.

SHORT CUT

If you don't have time to listen to the full episode, we prepared a nice short cut with important topics so you can go straight to the point that you are interested.

- 4:56 - Is it possible to produce quality coffee with machinery?
- 08:53 - Is it true that Brazil doesn't produce washed coffee? No!
- 11:10 - Pulped Natural or honey coffee was created in Brazil.
- 14:30 - Is Brazil a country of large coffee farms? Not really...
- 18:52 - Santos coffee doesn't exist! Understand why.
- 22:55 - Change of paradigm: to be sustainable grower has to make money
- 26:15 - The word sustainability confuses people! A simpler definition should be used.
- 28:33 - Microlots versus global blends – tendencies that the Brazilian coffee chain is paying attention to.
- 33:20 - Are there 84 types of coffee in Brazil?

Access this podcast here: <http://portalcoffea.com/episodes/ep-03-what-you-should-know-about-brazilian-coffee/>

* portalcoffea.com

PINHALENSE ELECTRIC CONTROL SYSTEMS FOR COFFEE MILLS

Pinhalense has traditionally preferred to leave to clients abroad the procurement of electric control panels and cabling, usually designed, supplied and installed by local engineers and contractors on the basis of a Pinhalense drawing depicting the equipment layout and the location and size of all motors required. Sporadically and in response to clients' requests, Pinhalense has successfully supplied Brazilian-made panels and even cabling in a few cases.

In the last two years Pinhalense created a team of electric engineers and electricians who designed and produced electric control and connection systems for mills of all sizes that Pinhalense supplied in Brazil, from individual pieces of equipment to large mills, from a few to several hundred HPs. Based on this experience Pinhalense is now prepared to quote and supply electric panels and control systems for all equipment it exports to clients abroad.



The Pinhalense electric team is prepared to design according to local electric standards prevailing in the countries of destination of the equipment. In order to facilitate maintenance there is a choice of suppliers of connection and protection equipment, e.g.: circuit breakers and meters. Well known brands like Siemens, Weg, Rockwell and others, that comply with international and local standards, can be elected by potential clients for inclusion in their projects.

The control panels quoted by Pinhalense are strategically located in the mill area according to the distribution of the electric load and to minimize cabling. The sequences for turning equipment on and off reflect coffee flow requirements with automatic turn-off of relevant machines and transport equipment when coffee flow disruptions take place. This sequencing of equipment activation and disactivation is essential to increase efficiency of operation, to avoid equipment jamming and to facilitate start-up at the beginning of operation or after interruptions. Start-up of equipment is designed to minimize current (amperage) surges and power consumption expenses using different technologies that have different degrees of efficiency and costs.

P&A will now routinely offer to quote electric control panels along with all Pinhalense coffee mill projects. Such systems may also be offered for individual machines or specific sequences of machines, e.g., feeding system (elevators and/or conveyors) and machines themselves. Please kindly contact the local Pinhalense/P&A representative in your area of the world or P&A directly to learn more about Pinhalense electric control systems and how they can help maximize you profits.

